

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

➤ **

➤ Miscellaneous ... Misc

➤ 97hrJC-Fi_Misc_pt94_LFB

➤ Record of Comm. Proceedings ... RCP

➤ **

Program Supplements

(LFB Budget Summary Document: Page 454)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
2	CY 97 Health Insurance Premiums (Paper #639)
4	Private Lease Space Supplements (Paper #640)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

CY 97 Health Insurance Premiums (Program Supplements)

[LFB Summary: Page 454, #2]

CURRENT LAW

A GPR-funded sum sufficient program supplements appropriation is available to supplement state agencies' GPR appropriations for the employer's share of group health insurance premium increases which occurred on November 1 of the fiscal year used by agencies for determining their adjusted base budgets. These increased group health insurance premium costs, affecting eight months of the that fiscal year, occurred too late to be included in agencies' adjusted base funding levels and are supplementable from this appropriation. Base level funding in the appropriation is \$3,111,200 GPR annually.

GOVERNOR

Reduce base level funding by \$503,000 GPR annually to reflect the amounts estimated to be needed in 1997-98 and 1998-99 to supplement state agencies' GPR appropriations for the employer's share of group health insurance increases, based on the November 1, 1996, premium-setting process. With the adjustment, a total of \$2,607,700 GPR would be provided annually.

DISCUSSION POINTS

1. Funds are appropriated in the bill under program supplements to support the costs of base year health insurance premium increases which occurred too late in that year for agencies to include in their base level budgets. However, actual DOA accounting practices apply these

appropriated amounts as an offset against the amounts released from compensation reserves for fringe benefits cost increases. The effect of this treatment is to include these program supplement amounts in the total funding available for increased fringe benefits payments from compensation reserves.

2. Because the amounts in the health insurance premiums appropriation are not accounted for separately, there has often been confusion over the total amount of funding actually available for salary and fringe benefits adjustments from compensation reserves. Since these supplement amounts are currently treated as if they were part of compensation reserves, the Committee could transfer the amounts budgeted for health insurance premium increases under program supplements to the amounts reserved compensation reserves. All GPR reserves for increased pay plan and fringe benefit costs would then be identified in the compensation reserves account. Total GPR-funded compensation reserve amounts would also be increased by a corresponding amount; consequently, there would be no net fiscal effect associated with this change.

3. While this modification would serve to consolidate available salary and fringe benefits funding supplements in a single reserve line, some would argue that it is desirable to have certain health costs budgeted separately where they are not commingled with amounts otherwise deemed to be "reserved" for pay and pay-driven fringe benefits increases for state employees. However, it should be noted that amounts included in the compensation reserves under the bill include funds for those additional health insurance premium increases that the administration estimates will occur during the next biennium.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation.
2. Transfer \$2,607,700 GPR annually from the health insurance premium increase program supplement appropriation to the GPR amounts included in the general fund condition statement for compensation reserves.

Prepared by: Tony Mason

MO# Alt 2

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	<input checked="" type="radio"/>
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 15 NO ABS 1

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Private Lease Space Supplements (Program Supplements)

[LFB Summary: Page 455, #4]

CURRENT LAW

Funding is provided to supplement state agencies' GPR appropriations for the increased costs of privately leased space, unbudgeted moving costs (when the moves are directed by DOA) and unbudgeted costs of assessments for the cost of facilities for the care of children of state employees. Base level funding for private lease space supplements is \$1,671,100 GPR.

GOVERNOR

Reduce base level funding by \$60,000 GPR in 1997-98 and \$300,000 GPR in 1998-99 to reflect the estimated amounts needed in 1997-98 and 1998-99 for the private lease supplements appropriation.

DISCUSSION POINTS

1. Under current law, supplemental funding may be provided to state agencies for the unbudgeted costs of space remodeling, moving, paying for move-related vacant space and assessments for the costs of child care facilities. In addition, agencies may receive supplements for the unbudgeted costs of required annual increases (escalator clauses) in the cost of lease rental space. Funds for the GPR share of all such estimated costs are appropriated each biennium in a general appropriation entitled private lease space supplements. The bill provides \$1,611,600 GPR in 1997-98 and \$1,371,600 GPR in 1998-99 for this appropriation.

2. A total of \$2,157,100 GPR (\$834,700 GPR in 1997-98 and \$1,322,400 GPR in 1998-99) is budgeted for the estimated costs of increases in private leases for state agencies. The Department's reestimate of the appropriation assumes that the cost of private lease space utilized by state agencies will increase by 3.5% annually. This increase is based on an estimate of the overall impact of various escalator clauses in current state leases. In calculating the increase, however, lease costs for agencies which pay for such costs from sum sufficient appropriations (the Governor, the Courts and the Legislature) were also included in the calculation. Sum sufficient appropriations are not supplemented from this appropriation. If these base lease costs are excluded from the supplement calculation, funding under the bill could be reduced by \$76,100 GPR in 1997-98 and \$152,000 GPR in 1998-99.

3. A total of \$825,000 GPR (\$774,100 GPR in 1997-98 and \$46,400 GPR in 1998-99) is budgeted in the private space lease supplement appropriation for the costs of moving state agencies to other office locations when such moves are directed by DOA as part of its overall space management activities. In calculating the amounts to be reserved for such potential directed moves, DOA included \$338,000 GPR in this appropriation for the purchase of furniture associated with the possible relocation of portions of the Department of Corrections to new locations. It is open to question, however, whether the space lease supplement permits supplements of agency appropriations for such purposes.

4. The private space lease supplement appropriation (titled "space management and child care" supplement appropriation in the statutes) language provides that the amounts in the schedule are to be used to "finance the costs of remodeling, moving, additional rental costs and move-related vacant space costs" and for "the unbudgeted costs of assessments [against state agencies] for child care facilities" for care of children of state employees. It could be argued that when DOA is planning to move an agency and new furniture or other equipment is to be purchased, that should be part of a budget request for that agency so that it can be reviewed as a part of that agency's budget and that this supplement appropriation is intended principally to pay for unplanned space cost increases which occur when agency leased space rents are increased or when DOA feels it is necessary to move agencies to higher priced space in the interests of overall space management needs in state buildings.

5. The Department argues that the costs of furniture acquisition should be allowed under this appropriation because it views furniture, particularly office system furniture, as a part of remodeling costs since specific furniture is often required to achieve the relocation of the moving agencies into specific space configurations. Further, DOA argues that without the ability to receive funding for furniture from this appropriation, agencies that are moved by DOA into new space may not have the appropriate furniture for the location and would then be required to purchase furniture utilizing monies in their base budgets or to seek funding from the Legislature (through the budget or the supplemental funding processes of s. 13.10 or s. 16.515).

6. If the Committee believes that expenditures for furniture for agencies should be a part of either agency budget requests or specific supplemental funding requests that are subject to review by the Committee, the Committee could delete the funding of \$338,000 GPR in 1997-98 included in the bill under this appropriation for purchase of furniture for the possible moves of certain state agencies or portions of agencies into different office space.

7. Alternatively, if the Committee believes that expenditures for furniture that are related to a DOA-directed move are costs that should appropriately be funded from the private lease space supplement, statutory language could be modified to specifically enumerate this as an eligible expenditure category.

8. If current law is maintained, funding would remain at the base level of \$1,671,100 GPR annually.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to reduce base level funding by \$60,000 GPR in 1997-98 and \$300,000 GPR in 1998-99 to reflect DOA estimated amounts needed in 1997-98 and 1998-99 for the private lease supplements appropriation.

2. Reduce funding for private lease space supplements by \$76,100 GPR in 1997-98 and \$152,000 GPR in 1998-99 to reflect the removal of sum sufficient funded lease costs from the supplements' calculation.

<u>Alternative 2</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	- \$228,100

3. Reduce funding for private lease space supplements by \$338,000 GPR in 1997-98, to reflect the removal of funding associated with the purchase of office furniture.

<u>Alternative 3</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	- \$338,000

4. Modify current law to specify that the cost of purchase of office furniture that is related to a DOA-directed move and required to allow such a move to take place may be funded from the private lease space supplement appropriation.

5. Maintain current law.

<u>Alternative 5</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	\$360,000

Prepared by: Jere Bauer

MO# Alt 2

BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	N	A
GEORGE	<u>Y</u>	N	A
JAUCH	<u>Y</u>	N	A
WINEKE	<u>Y</u>	N	A
SHIBILSKI	<u>Y</u>	N	A
COWLES	<u>Y</u>	<u>N</u>	A
PANZER	<u>Y</u>	N	A
JENSEN	<u>Y</u>	N	A
OURADA	<u>Y</u>	N	A
HARSDORF	<u>Y</u>	N	A
ALBERS	<u>Y</u>	N	A
GARD	<u>Y</u>	N	A
KAUFERT	<u>Y</u>	N	A
LINTON	<u>Y</u>	N	A
COGGS	<u>Y</u>	N	A

AYE 15 NO 1 ABS 0

MO# Alt 3

BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	N	A
GEORGE	<u>Y</u>	N	A
JAUCH	<u>Y</u>	N	A
WINEKE	<u>Y</u>	N	A
SHIBILSKI	<u>Y</u>	N	A
COWLES	<u>Y</u>	N	A
PANZER	<u>Y</u>	N	A
JENSEN	Y	<u>N</u>	A
OURADA	Y	<u>N</u>	A
HARSDORF	<u>Y</u>	N	A
ALBERS	<u>Y</u>	N	A
GARD	Y	<u>N</u>	A
KAUFERT	<u>Y</u>	N	A
LINTON	<u>Y</u>	N	A
COGGS	Y	<u>N</u>	A

AYE 12 NO 4 ABS

PROGRAM SUPPLEMENTS

LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	Joint Finance Committee Appropriation
3	State-Owned State Rental Supplements
5	Financial Services Assessments

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Legislative Fiscal Bureau

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May 5, 1997

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Budget Issue Papers

Attached are budget issue papers, prepared by this office, on the following agencies:

- Department of Administration -- Departmentwide
- Office of the Commissioner of Insurance
- Department of Health and Family Services -- Departmentwide and Management and Technology
- Department of Health and Family Services -- Care and Treatment Facilities

These agencies have been scheduled for executive action by the Joint Committee on Finance. The meeting will be held at 9:00 a.m. on Wednesday, May 7, in 119 MLK Building, Joint Finance (back of Senate Chambers).

BL/sas
Attachments

1997-99 BUDGET PAPERS

May 7, 1997

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